Appendix K: Prisma Financial Projections – 2004-2006

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Basis of Presentation

The financial projections are based on, and assume, the successful implementation of the Plan. Both the business plan and the financial projections reflect numerous assumptions, including various assumptions regarding the anticipated future performance of Prisma's operating subsidiaries, industry performance, general business and economic conditions and other matters, most of which are beyond the control of Prisma and its operating subsidiaries. While the projections were prepared in good faith and the assumptions, when considered on an overall basis, are believed to be reasonable in light of the current circumstances, it is important to note that there can be no assurance that such assumptions will be realized, and Creditors must make their own determinations as to the reasonableness of such assumptions and the reliability of the projections. **Therefore, although the financial projections are presented with numerical specificity, the actual results achieved during the financial projection period will vary and some of the variations could be material.** Accordingly, no representation can be or is being made with respect to the accuracy of the financial projections or the ability of Prisma and its subsidiaries to achieve the projected results of operations. Refer to Section XIV., "Risk Factors and Other Factors to be Considered" for further information related to the risks applicable to Prisma.

Prisma Energy International Inc. is an exempted Cayman Islands company that currently does not own any businesses or assets. The Debtors, in connection with the Plan, intend to transfer most of ENE's remaining international energy infrastructure businesses to Prisma; subject to obtaining requisite consents. Historically ENE's investments in international energy infrastructure businesses were subject to review as part of the consolidated financial statements of Enron Corp., however they have not been audited on a combined basis as a stand alone business. Therefore historical audited combined financial statements for the international energy infrastructure businesses (as listed below) are not available. Based on the above and since Prisma has not currently commenced commercial operations, consolidated financial projections were prepared for the calendar years 2004–2006 as if certain of the international energy infrastructure businesses (as listed below) are transferred into Prisma effective January 1, 2004. The projections assume the Plan will be implemented in accordance with its stated terms. The Debtors and their affiliates' ownership in the following assets are included in Prisma financial projections:

Accroven	BLM	Centragas
EEC	ENS	GMSA
BBPL-GTB	Elektro	BBPL-TBG
PQP	SECLP	Vengas
Trakya	Transredes	
MEC	SK-Enron	
SPC	Cuiaba–EPE, TBS, Gasmat, Gasbol	

Assumptions

Additional information relating to certain assumptions used in preparing the financial projections is set forth below:

A. Basis

1. The financial projections assume a predecessor carryover basis, rather than either utilizing fresh-start reporting as described by the American Institute of Certified Public Accountants Statement of Position 90-7 "Financial Reporting by Entities in Reorganization Under the Bankruptcy Code" or assuming any change in bases as a result of transfer of assets (whether between companies, to trusts or to creditors). Accordingly, the projections only reflect adjustments directly related to the Plan. It is uncertain whether a change in basis resulting from the implementation of the Plan will occur and if it does occur, when it may occur. Therefore, although the projections assume a predecessor carryover basis, it may ultimately be determined that Prisma either has the option or is required to use a new basis of accounting at some point in the future following implementation of the Plan.

2. Certain of the assets included in the projected financial statements for Prisma are wholly or partially held through existing financing structures. The projected pro forma financial estimates assume that these assets are not encumbered in financing structures. The unwind and resolution of these structures may affect the financial results presented. The following lists the assets wholly or partially held through financing structures that are assumed to be included in Prisma's financial results:

   –– Elektro
   –– Centragas
   –– Trakya
   –– ENS

3. Fifty percent of net cash flow of Prisma is assumed to be distributed to its shareholders and the remaining fifty percent is assumed to accumulate during the projection period. The Cash and Cash Equivalents balance on Prisma's Pro Forma Balance Sheet includes Prisma's Cash and Cash Equivalents balance along with the Cash and Cash Equivalents balances of Prisma's consolidated subsidiaries.

	2004			2005			2006
(US$Millions)							
Prisma Cash Balance	$	137.7		$	239.9		$	320.0
Consolidated Subs Cash Balances		140.6			126.2			249.3
Prisma and Subs consolidated cash Balance	$	278.3		$	366.1		$	569.3

4. Refer to the Consolidation assumption below for further information on Prisma's consolidated subsidiaries.

B. General

1. The projections assume a generally stable economic environment and no significant change in the regulatory and competitive conditions under which the businesses currently operate. The nature of Prisma's natural gas services and power distribution businesses is such that all assets are generally subject to firm contracts for their capacity or are regulated and are dependent on tariffs or other regulatory structures that allow regulatory authorities to review periodically the prices such businesses charge customers and other terms and conditions under which services and products are offered. Regulatory intervention and political pressures could lead to tariffs that are not compensatory or otherwise undermine the value of the long-term contracts entered into by the transferred businesses, which could have a negative impact on the financial projections. The nature of most of Prisma's power generation business is such that each facility generally relies on one power sales contract with a single governmental or quasi-governmental customer for the majority, if not all, of its revenues over the life of the power sales contract. The prolonged failure of any significant customer to fulfill its contractual obligations would have a negative impact on the financial projections. Included in each year of the 2004-2006 Prisma consolidated financial projections is a $20 million reserve for risk factors mentioned above. Although the Debtors believe that the assumptions underlying the financial projections, when considered on an overall basis, are reasonable in light of the current circumstances, no assurances can be or are given that the financial projections will be realized.

2. The projections do not assume acquisitions or divestitures of any material assets during the projection period or new indebtedness at the Prisma level.

C. Devaluation of Foreign Currencies

1. Prisma may suffer losses as a result of devaluations in the currencies of the countries in which it is expected to operate. The revenues of some of

the key businesses expected to be a part of Prisma, including Elektro, SK-Enron and Vengas, are collected substantially or exclusively in the relevant local currency and a strengthening of the U.S. dollar relative to such local currency will reduce the amount of cash flow and net income of such businesses as reported in U.S. dollars. Prisma has used market forward rates, where available, as foreign exchange rates for the corresponding future periods in its financial projections. Often, market data points are available for the short term but not the long term. In such cases, the long term rates for foreign exchange are derived from a combination of expected inflation and expected long term growth rates.

2. Currency devaluation impacts the repayment of the U.S. dollar denominated debt at Elektro and devaluation of the Brazilian real above the foreign exchange rates assumed in the projections could have a material impact on Prisma's net income and cash flow projections. **Any Brazilian real movements significantly different than those assumed in the table below would have a material impact on Prisma's financial projections:**

	2004	2005	2006
Average FX rate	3.50	3.78	4.01
End of Year FX rate	3.65	3.91	4.12
Devaluation End of Year	9.0 %	7.0 %	5.5 %

D. Consolidation

1. Prisma consolidates investments in investees in which Prisma maintains more than 50% of the voting control of the investee and reflects minority ownership interests accordingly. The following assets are consolidated in Prisma's projected financial results:

   —— BLM
   —— Elektro
   —— ENS
   —— GMSA
   —— Vengas

2. Prisma uses the equity method (APB 18) to account for investments in investees in which Prisma maintains between 20% and 50% of the voting control (directly or indirectly) of the investee. Under the equity method of accounting, the underlying assets and liabilities of investees do not appear on the face of the financial statements for Prisma. The company is currently in the process of adopting FASB Interpretation No. 46 (FIN 46), Consolidation of Variable Interest Entities, an Interpretation of ARB 51, and the current consolidation assumptions presently incorporated into the financial projections could change.

E. Intercompany Balances

1. The financial projections assume that Prisma acquires certain receivables (principal plus accrued interest) held by the Debtors and their affiliates from international projects in exchange for common shares of Prisma.

2. Because the actual resolution of the intercompany account balances between Prisma companies and the Debtors has not been determined, for the purposes of these projections the intercompany account balances have been netted to a net payable from Prisma to the Debtors whereby the Debtors contribute such payable to Prisma in exchange for common shares of Prisma. The methodology ultimately used in the formation of Prisma may result in a different treatment of intercompany account balances, requiring adjustments to the presentation assumed in the pro forma financial statements.

3. Intercompany activities among companies within Prisma have been eliminated in the projected pro forma financial statements.

F. Overhead

1. Overhead includes the following cost components:

   -- Business unit executive compensation
   -- Legal
   -- Accounting & Tax
   -- Other miscellaneous costs

2. The projections do not include any expenses associated with the anticipated equity incentive plan. Refer to Section X.F of the Disclosure Statement for further information.

G. General Tax Assumptions

1. **U.S. Tax**

   a. During the time that Prisma is part of the ENE Tax Group, it is assumed that certain types of income earned from Prisma's businesses may be subject to reporting and to the possible imposition of U.S. tax at the U.S. shareholder level for certain U.S. companies within the ENE Tax Group.

   b. The projections assume that after Prisma ceases to be a member of the Enron Tax Group, and subject to any U.S. tax that might be imposed on Prisma's management activities in the United States and certain other U.S. companies that comprise its assets, no U.S. taxes will be imposed on Prisma's income and cash flows.

c. Similarly, it is assumed that after Prisma has left the ENE Tax Group, Prisma's equity will not be concentrated in a certain number of U.S. shareholders so as to subject such shareholders to the Subpart F income regime applicable to U.S. shareholders of controlled foreign corporations or owners of passive foreign investment companies (See Section XIV.I.4.b. of the Disclosure Statement).

d. It is assumed that no material U.S. consolidated tax liabilities from the ENE estate will carryover to Prisma.

2. **Foreign Withholding Taxes**

Provision has been made where appropriate to charge undistributed consolidated and equity earnings from the various projects with any deferred foreign withholding taxes that may be imposed on such earnings when distributed. Also, adjustments to any deferred foreign withholding taxes have been made to the extent that profit distributions during the projection period exceed earnings attributable to the projection period.

3. **Foreign Taxes**

The projections assume that certain businesses that Prisma will consolidate have incurred foreign tax losses that are being carried forward to succeeding tax years, subject to tax law restrictions applicable to such businesses. A valuation reserve has been placed on the utilization of such losses where appropriate.

Appendix K: Prisma Financials – 2004-2006

Prisma Energy International Inc.
Income Statement

(US$'s in millions)

	2004	2005	2006
Operating Revenues	$853.7	$929.8	$990.7
Cost of Sales	492.8	537.5	563.5
GROSS MARGIN	**360.9**	**392.3**	**427.2**
Operating Expenses			
Operating expenses	154.2	157.5	155.0
Corporate general and administrative expenses	26.0	27.3	28.7
Depreciation and amortization	40.9	39.4	39.0
Taxes other than income	13.5	13.7	13.9
Total	234.6	237.9	236.6
OPERATING INCOME	**126.3**	**154.4**	**190.6**
Other Income (Expense)			
Equity earnings in unconsolidated subsidiaries	64.7	78.6	93.1
Interest income	50.2	45.7	56.3
Foreign exchange losses	(65.1)	(45.8)	(33.5)
Other expenses, net	(5.6)	(5.1)	(11.4)
Total	44.2	73.4	104.5
INCOME BEFORE INTEREST, MINORITY INTEREST & TAXES	**170.5**	**227.8**	**295.1**
Interest expense	42.3	37.5	36.5
Minority interest	(1.3)	0.3	0.6
INCOME BEFORE INCOME TAXES	**129.5**	**190.0**	**258.0**
Income Taxes			
Current	15.4	11.9	23.2
Deferred	1.3	1.4	1.6
Total	16.7	13.3	24.8
NET INCOME	**$112.8**	**$176.7**	**$233.2**

Prisma Energy International Inc.
Balance Sheet

(US$'s in millions)

	2004	2005	2006
ASSETS			
Current Assets			
Cash and cash equivalents	$278.3	$366.1	$569.3
Trade receivables (net of allowance for doubtful accounts)	167.3	152.4	154.7
Receivables from unconsolidated subsidiaries	20.9	19.3	15.6
Inventories	11.0	11.0	11.0
Other current assets	78.7	89.9	45.0
Total Current Assets	556.2	638.7	795.6
Investments and Other Assets			
Investments in unconsolidated subsidiaries	308.6	320.7	349.8
Notes receivable from unconsolidated subsidiaries	85.9	74.2	70.6
Other	60.2	31.2	29.9
Total Investments and Other Assets	454.7	426.1	450.3
Total Property, Plant and Equipment	911.2	901.0	904.2
Less accumulated depreciation and amortization	208.3	238.9	269.7
Net Property Plant and Equipment	702.9	662.1	634.5
Total Assets	**$1,713.8**	**$1,726.9**	**$1,880.4**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	$88.6	$84.0	$83.8
Short-term debt	63.7	24.3	36.2
Other current liabilities	96.7	90.2	94.7
Total Current Liabilities	249.0	198.5	214.7
Long-Term Debt	433.6	428.1	403.4
Deferred Credits and Other Liabilities			
Deferred income taxes	45.5	45.4	45.8
Other	70.5	61.8	69.4
Total Deferred Credits and Other Liabilities	116.0	107.2	115.2
Minority Interests	57.0	56.6	56.6
Shareholders' Equity	858.2	936.5	1,090.5
Total Liabilities and Shareholders' Equity	**$1,713.8**	**$1,726.9**	**$1,880.4**

Prisma Energy International Inc.
Cash Flow Statement

(US$'s in millions)

	2004	2005	2006
CASH FLOW FROM OPERATING ACTIVITIES			
Net income	$112.8	$176.7	$233.2
Depreciation and amortization	40.9	39.4	39.0
Deferred income taxes	1.3	1.4	1.6
Changes in components of working capital	(44.5)	(8.3)	40.3
Equity earnings in unconsolidated subsidiaries	(64.7)	(78.6)	(93.1)
Distributions from unconsolidated subsidiaries	123.0	71.8	77.2
Other operating activities	96.0	59.2	30.7
NET CASH PROVIDED BY OPERATING ACTIVITIES	**264.8**	**261.6**	**328.9**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(51.8)	(46.6)	(42.8)
Decrease in notes receivable from unconsolidated subsidiaries	21.6	16.9	9.3
Proceeds from sale of land	-	9.1	-
NET CASH USED IN INVESTING ACTIVITIES	**(30.2)**	**(20.6)**	**(33.5)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of long-term debt	34.3	39.8	36.2
Repayment of long-term debt	(76.1)	(49.8)	(59.0)
Net increase (decrease) in short-term borrowings	2.1	(39.2)	11.8
Dividends paid	(87.6)	(102.2)	(80.1)
Other financing activity	(6.1)	(1.8)	(1.1)
NET CASH USED IN FINANCING ACTIVITIES	**(133.4)**	**(153.2)**	**(92.2)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**101.2**	**87.8**	**203.2**
Cash and Cash Equivalents, Beginning of Year	**177.1**	**278.3**	**366.1**
Cash and Cash Equivalents, End of Year	**$278.3**	**$366.1**	**$569.3**